

FINANCIAL SMALL AND MEDIUM-SIZED ENTERPRISE WITH FORFEITING IN THE NEW ENTREPRENEUR ENVIRONMENT

Ing. Nikoleta Puchá, PhD.,
Technická univerzita v Košiciach
Katedra manažmentu a ekonomiky
Strojnícka fakulta
Némcovej č.32, 040 01 Košice

Abstract

The purpose of this article is to present and classify alternative of financial business operations into new entrepreneur environment. Forfeiting operations offered to client without debt financing. At the same time, it eliminates risks as the case may be if the payer is in insolvency of payment (the debtor). My goal is to classify forfeiting into environment of informatics and communications technology. Advantages of electronic forms we can see in reliable and quick communication of information saving of time, costs or expenses in likelihood of operative solutions of business problems in easy review or arrangement and accessibility to documents and in others.

Keywords

forfeiting, exporter, importer, information and communication technology

Introduction

In the world of business there must be clear rules for all joint parties. It means that the seller must get paid for the sold goods the right amount and get paid on time. On the other hand buyer (importer) must get the right goods and fill in the contract on time. These rules are contained in the agreements in which they both sign between each other (business partners). In this time the sellers are pushed to give prolonged time of payment buyers, because of the reason of competition. There is a risk that the buyer will not pay on time. Given loan is that it binds the seller's financial resources and it can slow down his turnover.

One of the possibilities of eliminating the risk from the relationship of supplier-buyer is the use of alternatives of financing concrete forfeiting. Alternative forms of financing offer the supplier "without loan financing" and in this way it proves that it can eliminate the risks of payment of the insolence of the debtor.

Financing of small and medium enterprises with the help of forfeiting

The basis of forfeiting is the selling of medium - term and long – term receivables which

were established from the seller-buyer relationship in relation to the forfeiting institution. Forfeiting is used in financing machine, equipment and big investing units, where the time of period of payment is more than one year. Forfeiter takes over all the risks which are connected with all the agreements in question. Forfeiting has potential risk of non-payment in general. Forfeiting companies require insurance of receivables third parties (guarantors).

Forfeiting is based on forfeiting agreement where the contracting sides are supplier as well as seller, buyers of receivables and specialized financial institution, as the buyers of receivables. Guarantee of receivables is general bill of exchange with co accept the draft of first class bank, bank acceptance, co accept the draft with documentary credit or bank guarantee. Forfeiter must be certain that the debtor or guarantor will pay the obligation without any objection. The right of objection stays in relation to supplier and buyer, but can't influence his payment towards the new owner of receivables – forfeiting company. This company designates maximum payment of receivables from the risk of buyer, supplier and receivables.

Steps of forfeiting transaction

1. Request of forfeiting.
2. Payment of bill of exchange which is guaranteed after the delivery of goods.
3. Agreement between forfeiting company and seller.
4. Cession.
5. Forfeiting company pays out the forfeiting transaction.
6. Cession (secondary market)
7. Buyer pays out obligation in benefit of the forfeiting company [3].

Forfeiting in new business environment

In the past all transaction to do with supplier-buyer relationship and their financing with financial institution were realized in paper form (for example invoice, agreement). In present time there is the trend of doing everything electronically. Business companies operate in the environment of computers and Internet business by which companies substitute paper to electronic documents.

Electronic data interchange with help of information technology helps business partners not only to do an automatic transfer with business data and document, but also with realization of prompt

and reliable financial compensation from one computer system to second. Participants of electronic exchange of data are quick and always informed about the state of financial requirements, financial transactions as well as all important events.

System EDI makes it possible for transformation of paper exchange of data into electronic exchange of structural facts. The most used standard is the norm UN/EDIFACT (United Nations/Electronic Data Interchange for Administration, Commerce). This standard is multinational and used in all economic and others sectors. The norm is based on the simple but also quite flexible international norm convenient by need of government and in the private sector. With the help of standardized commands for example INVOICE, ROCECO (forfeiting agreement) by this standard commands we can create electronic alternative of financing of business operations [5].

Forfeiting is usually guaranteed by drafts. Draft is an abstract security paper. Law system in Slovak republic characterize drafts in Law about security paper number 566/2001 Collections of Laws. In other case is the use of Draft and Check law number 191/1950 Collection of Laws which go out from Geneva Convention from year 1930. Law number 191/1950 Collection of Laws have three independent articles. Drafts describe first and the third article. This law is possible to up-date Commercial law number 513/1991 Collection of Laws, Civil Code number 513/1991 Collection of Laws and Civic court rule number 38/1995 Collection of Laws [2].

Draft is by law negotiable, order instrument on row. The owner of this draft can preclude clause "not on the row". With this clause it is possible that the draft can proceed by cession on the base Civil Code number 513/1991 Collection of Laws. Draft and Check law have defined in § 2 draft as paper. Signature must be autographic not mechanical. Nowadays Electronization interface with everything and we hope that after legislative novel paper drafts will be in a equal to electronic draft. In the case of Australia the legal paper is drafted with electronically.

In Japan the payment system for settlement is electronic draft (BOJ – NET).

Legislative equalization paper draft with electronic draft is condition. Total electronization of draft is the absolute written debt of debtor is paid draft the sum and on the other side absolute reimbursement to the law owner of draft in this case sum isn't are depended on change of ownerships of bearer of this information. The basis of draft is the change from paper form to electronic form. Electronic draft introduces record in memory

medium, from which it must be possible to read major terms of draft. If is in paper form falsification of draft is very small, but electronic form we can very easily copy. Electronic signature verifies only authenticity draft. For safety reasons it is possible to establish register of electronic draft.

Register of electronic draft

Tasks on register of electronic are:

- standard for draft,
- safety about electronic draft (electronic signature),
- evidence debtors and owners of draft,
- change with trade,
- settlement with bill of exchange,
- erasure of drafts,
- exaction liabilities.

Alternative financing is interconnected with information technology which offers the clients the following benefits. For example:

- reliable and quick transfer of financial information, saving of time,
- saving of operating expenses,
- the simplicity, reduction of payment and quick communication between partners in Slovakia and abroad,
- saving of costs of the formation processing and archiving of documents,
- elimination and quick correction of mistakes in business agenda,
- the ability of operative solution of business problems,
- automatic process factoring transaction,
- increase of security and installation of electronic signature,
- bigger transparency and availability of documents,
- ecological view point (saving of paper and petrol).

Conclusion

Financing of receivables is generally based on simple documentation transaction mostly in the form of buying agreement, invoice, order and drafts. Agreement and invoice guarantees the right of owner of receivables to show in the future real establishment of receivables. The order is important

from the point of view of the owner of receivables for the proof of identity that the debtor has really ordered the goods which he in the future could deny. In receivables there is possibilities the control of both the seller and buyer and in the way that, what the supplier recordings should be shown in financial accounts of buyer. Business receivables of supplier after forfeiting operation goes out from account of supplier, it changes its character into money on account. It quickens turnover of firm and forces buyers to pay on time, because financial companies can put the debtors on international "black list" of non payers. By this that the buyer will be in the database of informational office in the group of non payers, the ending result can also be that these unpunctual buyers will lose their present suppliers and also the suppliers in different countries, or the banks will cancel their loan because they have become risk clients. Forfeiting offers sellers needed liquidity. Joint alternative financing with information technology offers the written and other benefits for all parties concerned consequential from electronic communication. Electronic data exchange in forfeiting transactions as comparative advantage for individual subjects is by now not much used.

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